Persistence and Information Content of Cash Component of Earning
In Decision-making

Mahmoud Mousavi Shiri, Seyed Hesam Vaghfi, Javad Shirdel, Akbar Pourreza Soltan Ahmadi

Abstract: Accounting earning is the most important information, which is used in economical analyses by decision makers. This research tests the persistence and informational content of cash components of earning to forecast future years earning in listed companies in Tehran securities. To this end, in Present research the accounting earning is divided into two components, cash and Accrual. Cash component of earning is divided into three smaller components including: Maintained cash in the firm, net payables (recordable) to (from) shareholders and net payables (receivables) to/from creditors and the relationship between each component and earning in the future year was tested. The results of testing research show that maintained cash in the firm was more persistent than any cash components of earning and it better explains earning in the following. Another result in this research shows that shareholders overestimate the persistence of maintained cash component in the firm, but they estimate the persistence of other cash components of earning more precisely.

Key word: cash component of earning, free cash flow, net income, yield of stocks, price of stocks.

INTRODUCTION

Comprehensive analyses and researches of security markets and correct inferences could lead to fast growth and boom in these markets, so that research about different items affecting stock market could lead to shareholders decision making of share and optimal economical resource allocation more desirably and improve investment position (Ghaemi et al., 2003). One of these items is accounting income and its ability in clearing future trend of cash flows and finally in firms value. From many users of financial statement’s points of view the accounting income is accounted as a means for evaluating firms’ performance. Different researches have been shown that accounting income result in investors’ belief and behavior change. Price change of securities is an observable criterion for systematic change of investors’ beliefs, which has been changed due to impact of information content of accounting earning. Information about earning is not only valuable for a specific user but also for entire economy of a country. How ever, in analyzing and testing of information content of accounting income, the measuring method is important. Based on accrual procedure in case of revenues realization and expenses occurrence it could be reported income while finally cash flow and receivable fund on account of performed investment is important for investors. Sloan (1996) examined the informational content of accounting earning cash and accrual components. He separated the current earning into two cash and accrual components. His results support the existence of strong reverse relationship between cash and accrual components of earnings. He conceded that earning persistence of current year will reduce as accrual component of earning increase and as cash component of earning increase in will increase. He explains that the reason of this reduction is subjectivity of accruals. Xie (2001) examined the reasons of lower persistence of accrual component of earning by separating it into discretionary and nondiscretionary, finally, he concluded that discretionary accruals were more transient and probable earnings management from this way is not understood by investors. Barth et al (2001) have investigated the role of earning separation into cash and accrual components in far casting future cash flaws. Researchers separated the earnings into one cash component and five main accrual components to examine the role of these components in forecasting future cash flows. They found that earnings separation into two cash and accrual components increase the forecast power significantly. But separation of accruals into its important components increase the far cast power more than before. Al-Attar and Hussein (2004) examined the ability of accounting data such as earning, cash flows and accruals in forecasting future cash flows. They concluded that earnings separation into cash accrual components led to an improvement in forecasting cash flow; furthermore historical cash flows have more power for forecasting future cash flows than historical earnings. Moreover, historical cash flows have less ability (power) for far costing future each flow than (relative to) using both cash flows endocrinal components of earning simultaneously. Barth et al (2004) have examined the value relevance of accrual and cash components to firm. In this research, the accrual components of earning have been divided into four components. Findings of this research show that with considering abnormal evening and market value of firm as dependent variables, the separation of accrual part of earning into its constituent...

Corresponding Author: Mahmoud mousavi shiri, Department of Accounting, Payame Noor University, 19395-4697 Tehran, I.R. of Iran.

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components result in to reduce forecast ever of firm market value. Dechow and Ross (2005) indicated that persistence of the earnings is affected by amount and sign of accruals. Accruals relative to cash flows improve the persistence of earnings.

Scott et al (2005) indicated that accruals with less reliability led to low persistence of earning. Results of their studies suggested that due to lack of complete forecasting by investors the non-actual pricing about stock and securities has occurred. Hanlon (2005) researched about the relationship between tax and quality of earnings. He concluded that persistence of accruals and cash flows would be lower for firms with more difference between books and tax return. Chan et al (2006) examined the relationship between accrual numbers (difference between earning and cash flows) and future yield of stock they indicated that yield of stock in firms with large accrual numbers will be reduced, the day after reporting financial information. The implication of these results is that firms with low quality of earning (firms which have high accrual numbers) will face reduction of yield in the period after reporting earning. Another implication of these results is that investors discover low quality of earning for firms and adjust price of stock proportional with it, they did it by separating component of accrual numbers and also sorting based on discretionary numbers and nondiscretionary and found similar results.

Yoder (2006) examined power of accrual models relative to cash flow models to forecast future cash flows. Results of this research that accrual models in comparison with cash flows models have not increasing ability for forecasting future cash flows the next year. Researcher found on explaining reason of this problem that increasing ability (power) of accrual models forecast improve by reducing volatility of earning and sale as well as reducing volatility of inventory to future sales. Neal, Arthur et al (2007) in a research called "persistence of cash components in forecasting future earning" found that cash components model relative to condensed cash flow model is paramount and cash separated model has lower compatibility with focusable (expectable) errors.

Rosalyn et al (2008) in a research in Australia found that total accruals have lower persistence than cash flows. Also, persistence of accrual components is related to their reliability positively. Dichev et al (2008) examined the persistence and pricing of cash components of earnings. They believed that dividing cash component of earning into smaller component has improved informational content into earning reporting and with respect to the importance of cash flow from investors point … view. This could play a significant role in determining price of stock. Their results indicated that net payables. According to performed researches ((Barth et al (2001), Alattar and Hosein (2004), Dichev et al (2008)), the earning separation into its components led to average forecast error reduction. Therefore, it should not be considered as final figure of reported earnings merely and attention to its constituent components (accrual and cash components) and different parts of these components could provide useful information for them. With regard to the importance of earning and its information content of components, we seek to determine relations and information content of earning components by putting emphasis on cash component of earning and its separation into smaller component and the following questions are raised.

1- "Are there any differences between persistence of different parts of earning cash component"?
2- Do investors understand the above mentioned point and consider it in decisions about pricing?

Research Hypotheses:
H1: Persistence of part of cash component of earning which is distributed between shareholders is more than parts of those paid to creditors or kept in the firm.

H2: Investors consider persistence of cash components of earning in expectations relevant to profitability (earning) which is reflected in stock price.

Research Models:
Accounting earnings is formulated from two parts: Accrual and cash
INCOME= Accruals= CASH FLOW.

In this research the cash flow from period earning is considered as free cash flow.
Income − Accruals = FCF
INCOME- Accruals = ΔCASH+DISTEQ+DISTQ
So that:
INCOME: Earnings before extraordinary items,
Accruals: Earning Accruals,
FCF: Free cash flows,
ΔCASH: change in balance cash flow.
DISTEQ: Net payment (receivables) to (from) shareholders.
DISTO: Net payables (receivables) to (from) creditors.

Used Model for Testing First Hypothesis:
With respect to the mentioned subjects, the following model is used to test the first hypothesis:
Model (1):  
\[
\text{INCOME}_{t+1} = \alpha_0 + \alpha_1 \text{ACCRUALS}_t + \alpha_2 \text{FCF}_t + \nu_t
\]

In this research to examine the amount of persistence of cash components of earning, FCF is divided into three parts as follow:

Model (2):  
\[
\text{INCOME}_{t+1} = \alpha_0 + \alpha_1 \text{ACCRUALS}_t + \alpha_2 \Delta \text{CASH}_t + \alpha_3 \text{DIST}_t \text{EQ}_t + \alpha_4 \text{DIST}_t \text{DT}_t + \nu_t
\]

Where:

\[
\text{INCOME}_{t+1} = \text{Earnings before extraordiary items in period } t+1,
\]

Accruals: Earning Accruals in period t,

\(\Delta \text{CASH}_t\): Change in balance cash in period t,

\(\text{DIST - EQ}_t\): Net payables (receivables) to (from) shareholders in period t,

\(\text{DIS-DT}_t\): Net payable (receivables)

\(\alpha_1\): Determining amount (degree) of persistence Accruals\_t,

\(\alpha_2\): Determining d degree of persistence \(\Delta\) Cash

\(\alpha_3\): Determining degree of persistence DIST\_EQ\_t

\(\alpha_4\): Determining degree of persistence DIST\_DT\_t

**Used Models for Testing Second Hypothesis:**

Model (2):  
\[
\text{INCOME}_{t+1} = \alpha_0 + \alpha_1 \text{ACCRUALS}_t + \alpha_2 \Delta \text{CASH}_t + \alpha_3 \text{DIST}_t \text{EQ}_t + \alpha_4 \text{DIS}_t \text{DT}_t + \nu_t
\]

Model (3):  
\[
\text{Ret}_{t+1} = \beta (\text{INCOME}_t - \alpha^* \text{AccRAl} - \alpha^* \Delta \text{CASH} - \alpha^* \text{DIST}_t \text{EQ}_t - \alpha^* \text{DIS}_t \text{DT}_t) + \varepsilon
\]

In a have equations:

\(\text{Ret}_{t+1}\): suggest yield of year (t+1)

\(\alpha_{is}\) (Except \(\alpha_0\)): Actual coefficient for relevant structure (component) persistence and

\(\alpha^*_{is}\) (Except \(\alpha^*_0\)): suggest the persistence coefficient of relevant structure (component).

To measure degree of investor's concentration on the persistence of cash components of earning in decision makings about pricing, we calculate \(\alpha^*_i s\) and \(\alpha_i s\) in these two models. If investors forecast the degree of persistence of current earning and consequently its impact on decisions about their pricing correctly we expect that \(\alpha_i s\) will be equal to its corresponding \(\alpha^*_i s\) and the correspondence between these coefficients indicates the degree of inventor's concentration on the persistence of earning components. To compare regression coefficients indeed it is necessary to follow investigation:

\[
\begin{align*}
H_0 : & \quad |\alpha_i| = |\alpha_j| \quad \forall i \neq j \\
H_0 : & \quad |\alpha_i| = |\alpha_j| \quad \exists i, j
\end{align*}
\]

In the first part, coefficients is examined in terms of positive value and in the second part the inequality of at least one of integer value of coefficients with other coefficients is tested. For this purpose we will examine the following hypothesis by using F-test and based on variances analysis:

\[
\begin{align*}
H_0 : & \quad T'\alpha = 0 \quad \forall i \neq j \\
H_0 : & \quad T'\alpha \neq 0 \quad \exists i, j
\end{align*}
\]

Where it is  
\[
T = \begin{bmatrix} 1 & 1 & 0 \\ 1 & 0 & 1 \\ 0 & 1 & 1 \end{bmatrix} \quad \text{and} \quad \mathbf{\alpha} = \begin{bmatrix} \alpha_1 \\ \alpha_2 \\ \alpha_3 \end{bmatrix}
\]
For further analysis, we investigate the quality of coefficients in model (2) and model (3) to this end the following hypothesis is suggested:

\[
\begin{align*}
H_0: \quad & \alpha_i = \alpha^*_i \\
H_1: \quad & \alpha_i \neq \alpha^*_i
\end{align*}
\]

Hewever, to investigate this hypothesis more calculation is needed. If the following model be evaluated then it could be optioned residuals value \( V_t \):

\[
INCOME_{t+1} = \alpha_0 + \alpha_1 ACCRUALS_i + \alpha_2 \Delta CASH_i + \alpha_3 DIST_{EQ_t} + \alpha_4 DIST_{D_t} + V_t
\]

But in the following model how could be added \( V_t \):

\[
RET_{t+1} = \beta(INCOME_{t+1} - \alpha_D^* - \alpha^*_i ACCRUALS_i - \alpha^*_2 \Delta CASH_i - \alpha^*_3 DIST_{EQ_t} - \alpha^*_4 DIST_{D_t}) + \epsilon_t
\]

For this purpose we include the value \( \alpha_i ACCRUALS_i + \alpha_i \Delta CASH + \alpha_3 DIST_{EQ_t} - \alpha_4 DIST_{D_t} \) in the equation (one time addition and one time deletion):

\[
RET_{t+2} = \\
\beta(INCOME_{t+2} - (\alpha_0 + \alpha_1 ACCRUALS_i + \alpha_2 \Delta CASH_i + \alpha_3 DIST_{EQ_t} + \alpha_4 DIST_{D_t})) + \\
(\alpha_0 - \alpha_1^* ACCRUALS_i + \alpha_2 \Delta CASH_i + \alpha_3 DIST_{EQ_t} - \alpha_4^* DIST_{D_t}) - \alpha_0^* - \\
(\alpha_2^* \Delta CASH_i + \alpha_3^* DIST_{EQ_t} - \alpha_4^* DIST_{D_t}) + \epsilon_t
\]

Which after simplification of relations we have:

\[
RET_{t+2} = \beta(V_t + (\alpha_0 - \alpha_0^* - (\alpha_1 - \alpha_1^* ACCRUALS_i + (\alpha_2 - \alpha_2^*) \Delta CASH_i + \\
(\alpha_3 - \alpha_3^*) DIST_{EQ_t} + (\alpha_4 - \alpha_4^*) DIST_{D_t}) + \epsilon_t
\]

And or we have:

\[
RET_{t+1} = \beta(V_t + \delta_0 + \delta_1 ACCRUALS_i + \delta_2 \Delta CASH_i + \delta_3 DIST_{EQ_t} + \delta_4 DIST_{D_t}) + \epsilon_t
\]

Now it is sufficient to examine the equality of \( \delta_2 \) values with zero on the other hand the examining hypothesis would be as follow based on above equation:

\[
\begin{align*}
H_0: \quad & \delta_1 = 0 \\
H_1: \quad & \delta_1 \neq 0
\end{align*}
\]

The testing hypothesis is performed by testing meaningfulness of \( F \) in the multiple regressions and by using STATISTICA and SPSS16 softwar'e.s.

**Method of Measuring The Research Variables:**

3-3-1: change in the balance of current year cash flow:

Changes in the balance of current year cash flow containing cash flow and short – term investment would be calculated as follow:

- Change in balance of cash flow in the current year = Balance of cash flow in the period beginning - Balance of cash flow in the end period
- Net receivables (payables) to (from) shareholders in current year
- Sum receivables from shareholders on account of stock increase minus payable cash flow to shareholders on account of cash income payment.

**Net Payables (Receivables) to (From) Creditors in Current Year:**

Payables to creditors on account of repayment of principal and receivables would be due to borrowing. Negative values indicate borrowing and positive values indicate repayment of dept.
Yield of Stock:
Common yield of stock = (firm market value in the end of year – firm market value in the beginning of year + Approved yield of stock – capital increase from cash of claims)/Firm market value in the beginning of year.
Market value in the beginning of year = (price of stocks in the beginning of year * number of stock in the beginning of year firm).
Market value in the end of year = (ratio of stocks in the end of year * number of stock in the end of year firm).
Approved yield of stock = (Number of stock in the date of association * cash income per share).
Capital increase from cash of claims = Percentage of capital in crease from (Beginning of period capital – end of year capital).

Accruals in The Current Year:

\[ T_A_t = (\Delta C_A_t - \Delta CASH_t) - (\Delta C_L_t - \Delta CPL_t) - DEP_t \]

\( T_A_t \): Total accruals in the year t.
\( \Delta C_A_t \): Change in current assets in the year t. (Amount of current assets in year t- Amount of current assets in prior year)
\( \Delta CASH_t \): Change in cash flow in the year t (Amount of cash flow in the end of year t – amount of cash flow in prior year).
\( \Delta C_L_t \): Change in current debt in the year t. (amount of current debt in the end of year t - Amount of current debt in prior year).
\( \Delta CPL_t \): Change in current portion of long term liabilities in the year t (Amount of current portion of long term liabilities in the end of year t - Amount of current portion of long term liabilities in the end of prior year).
\( DEP_t \): Expense of amortization of fixed assets in the year t.

Assets Average:
\[
\text{(Assets in the beginning of period + Assets in the end of period)}/2 = \text{Assets Average};
\]
In all of above models the existing structure are divided on assets average of firm (average assets in the beginning of period and of period).

Data Gathering and Estimating Number of Sample:
we have investigated the previous studies and literature including M.A. and Ph.D thesis, the internet and the universities and scientific centers archrivals to collect the theoretical foundations and extract necessary financial data for 2003 to 2008 the Tadbirpardaz, denasahm software's and official site of Tehran securities have been used. Also, to generate the required databases the Excel software has been used.
To examine the hypothesis, Data was gathered from financial reports of Tehran Stock Exchange corporations under the following circumstances:
1- They must be listed in the securities before financial year 2003.
2- Their financial year should be ended by the end of March.
3- Their financial year must not change in the investigation period.
4- They should not be investment companies, financial brokers, banks and leasing.
To estimate the number of sample, NCSS and Pass software have been used using software the power of tests for regression based on four independent variables for samples with different volume have been obtained. Based on the following output by using a sample with 250 volume in could be generated a regression with 90% power in tests, so in this research 51 firms in fire years have been used, which is included about 255 year-firms in the tests.

Results of research:
Results of testing first hypothesis:
First hypothesis:
Persistence at those parts of cash component of earning that is distributed between shareholders is greater than those parts which is paid to creditors or kept in the firm.
As mentioned before to examine the first research hypothesis with respect the following model the impact at change in balance cash flow, net payables (receivables) to (from) shareholders and creditors on earning before extraordinary items is considered.
Model (2): \[ \text{INCOME}_{t+1} = \alpha_0 + \alpha_1 \text{ACCRUALS}_t + \alpha_2 \Delta \text{CASH}_t + \alpha_3 \text{DIST}_{EQ} + \alpha_4 \text{DIST}_{Dt} + \nu_t \]

Prior to examining the main model for furthered analyses we first test and examine the following models.

Model (1): \[ \text{INCOME}_{t+1} = \alpha_0 + \alpha_1 \text{ACCRUALS}_t + \alpha_2 \text{FCF}_t + \nu_t \]

Model (4): \[ \text{INCOME}_{t+1} = \alpha_0 + \alpha_1 \text{ACCRUALS}_t + \alpha_2 \Delta \text{CASH}_t + \alpha_3 \text{DIST} + \nu_t \]

Where: DIST: Net payables (receivables) in period \( t \) which is consisted the two parts:

- DIST_EQ: Net payables (receivables) to shareholders in period \( t \).
- DIST_D: Net payables (receivables) to creditors in period \( t \).

(1) \( \text{INCOME}_{t+1} = 0.508 + 0.398 \text{ACCRUALS}_t + 0.061 \text{FCF}_t + \nu_t \)

As results of model (1) indicate, value of coefficient \( \alpha_1 \) was from value of coefficient \( \alpha_2 \) that we conclude by retiring to table (1) that persistence of cash component of earning would be less than its accrual component significantly. \( \text{P-value} = 0.000002 \).

In the following by separating cash component into protected funds in the firm (CASH) and total net payables (receivables) (DIST) and referring to model 4 it is concluded that coefficient \( \alpha_3 \) is greater than coefficient \( \alpha_2 \). See table (2). we could state that persistence of net payables (receivables) would be less than the persistence of protected cash flow in the firm significantly, it means that being low at persistence at cash component of earning relative to its accrual component which obtained in the model (1) is due to the net payables (receivables), Not maintained cash component in the firm. \( \text{P-value} = 0.0000054 \).

\[ \text{INCOME}_{t+1} = 0.512 + 0.410 \text{ACCRUALS}_t + 0.462 \Delta \text{CASH}_2 - 0.003 \text{DIST}_T + \nu_t \]

And finally to test first hypothesis we separated cash component at earning (FCF) into three component: maintained cash in the firm CASH , Net payables( receivables) to (from) shareholders DIST_EQ and Net payables (receivables) to (from) creditors DIST_D and its results have been provided in table (3).

\[ \text{INCOME}_{t+1} = 0.522 + 0.473 \text{ACCRUALS}_t + 0.441 \Delta \text{CASH}_t - 0.309 \text{DIST} - \text{Dt} + \nu_t \]

With respect to model (2) and table (3) it could be said that: Among cash components of earning the persistence of maintained cash in the firm is greater than other two components (DIST_Dt, DIST_EQ t) significantly. \( \text{P-value} = 0.000000 \).

Lowest persistence is relevant to net payables (receivables) to (from) creditors, there fore first hypothesis which stating " persistence of part of cash component of earning which is distributed between shareholders is greater than those which is paid to creditors or main twined in there firm " is not accepted. Table (4) shows the summary of results from testing model (2) in this research.

<table>
<thead>
<tr>
<th>Table 4:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>Amount</td>
<td>impress Set influence</td>
</tr>
<tr>
<td>Cash</td>
<td>0.439</td>
<td>+</td>
</tr>
<tr>
<td>DIST_EQ</td>
<td>0.312</td>
<td>-</td>
</tr>
<tr>
<td>DIS-D</td>
<td>0.147</td>
<td>+</td>
</tr>
</tbody>
</table>

Results of Testing The Second Hypothesis:

Investors in expectations relevant to profitability (profit) which is reflected in price of stock will consider the persistence of cash component of earning.
As it was stated, to test second hypothesis first we examined the effect of change in balance cash, net payment to shareholders and creditors and earning before extraordinary items in the future year and future year yield (model (3) and then we compared resultant abstained coefficients with corresponding coefficients in the model of first hypothesis (model (2).

Model (3): \[ \text{RET}_{t+1} = \beta (\text{INCOME}_{t+1} - \alpha_0^* - \alpha_1^* \text{ACCRUALS}_t - \alpha_2^* \Delta \text{CASH}_t - \alpha_3^* \text{DIST}_t - \alpha_4^* \text{DIST}_t - D_t) + \epsilon_t \]

To examine second hypothesis the above model is used and this is considered that whether all the variables of model have an identical effect on yield or not? To test significance of this subject the statistical hypothesis is defined as follow:

\[
\begin{align*}
H_0 : \alpha_i^* = \alpha_j^* & \quad \forall i \neq j \in \{2, 3, 4\} \\
H_1 : \alpha_i^* \neq \alpha_j^* & \quad \exists i \neq j \in \{2, 3, 4\}
\end{align*}
\]

Which this hypothesis is equal the following hypothesis:

: Answer to research hypothesis is negative \( H_0 \)
: Answer to research hypothesis is positive \( H_1 \)

Table 5:

<table>
<thead>
<tr>
<th>model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce models</td>
<td>9451.3</td>
<td>2</td>
<td>4725.633</td>
<td>5.5635</td>
<td>0.0298</td>
</tr>
<tr>
<td>error</td>
<td>318264.4</td>
<td>240</td>
<td>1326.102</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Results of analysis for variance of Fischer test in table (5) show that probability value is less than test level (5%) So all coefficients was not similar and condition of \( \alpha_1^* = \alpha_2^* = \alpha_3^* \) is rejected in 5% significance level.

Therefore it could be accepted with 95% confidence that: "Investors in expectations relevant to their profitability which is reflected in price at stock will consider the persistence at cash components of earring." To answer this question whether coefficients from yield of stock model would be similar to coefficients from model at first hypothesis or? We prefer compare these two coefficients of two models: 2, 3 to examine the significance of this subject the statistical hypothesis is defined as follow:

\[
\begin{align*}
H_0 : \alpha_1 = \alpha_1^* & \\
H_1 : \alpha_2 = \alpha_2^* & \\
H_2 : \alpha_3 = \alpha_3^* & \\
H_4 : \alpha_4 = \alpha_4^*
\end{align*}
\]

Results in table 6, based on 95% probability value show that in terms at effect of coefficients for accruals and net payment to shareholders and creditors in two models, statistically there is no significant difference in change multiplier in balance cash from yield at stock model with model in first hypothesis.

So, with regard to pre stated matters we conclude that investors consider the persistence at cash components of earning, but they overestimate the persistence of cash component at earning which is maintained in the firm and forecast the persistence at other cash components at earning near to reality.

Table 6:

<table>
<thead>
<tr>
<th>model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \alpha_1 = \alpha_1^* )</td>
<td>1.701</td>
<td>1</td>
<td>224.138</td>
<td>0.191</td>
<td>0.662</td>
</tr>
<tr>
<td>( \alpha_2 = \alpha_2^* )</td>
<td>-1.581</td>
<td>1</td>
<td>8835.799</td>
<td>7.547</td>
<td>0.006</td>
</tr>
<tr>
<td>( \alpha_3 = \alpha_3^* )</td>
<td>-1.798</td>
<td>1</td>
<td>1078.281</td>
<td>0.921</td>
<td>0.338</td>
</tr>
<tr>
<td>( \alpha_4 = \alpha_4^* )</td>
<td>0.288</td>
<td>1</td>
<td>866.840</td>
<td>0.740</td>
<td>0.390</td>
</tr>
<tr>
<td>Error</td>
<td>280983.7</td>
<td>240</td>
<td>1170.77</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Conclusions:

In past researches the accounting earring has been separated into cash and accrual components. In this paper with regard to informational content of this separation, the cash component was separated into smaller components and the persistence and informational content at cash components at earning was tested. For this
Purpose with regard to manner of contact with cash and cash could be maintained by firm, distributed between creditors and shareholders we divided it into mentioned three components. Results of research show that accrual component of earning is more persistent than cash component. Results of past researches have been different in this regard so that for example this result was similar to Dichev and Rass's results and opposite to udro's (2007) result. Other results of this research which was resulted in the (caused from) main discussion of this research is that cash component at earning which is maintained is the firm is persistent than other cash components of earning that is net payables (receivables) to (from) creditors and shareholders.

Results of past researches have been different in this regard so that for example this result was similar to Dichev and Rass's results and opposite to udro's (2007) result. Other results of this research which was resulted in the main discussion of this research is that cash component at earning which is maintained is the firm is persistent than other cash components of earnings that are net payables (receivables) to (from) creditors and shareholders.

Results at Dicher ET u'd's research (2008) show similar positions. Other results at this research is that investors over estimate the persistence of maintained cash component in the firm. More over they forecast the persistence at other cash components at earning near to reality, this shows that it is likely investors over optimism relative to investment opportunities in the firms which increase their property (assets) base and accumulate the capital. Stated result will approve the Dichev etals results (2008) but it is opposite to Sloan's (1996) results at research.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Error beta</th>
<th>Error alpha</th>
<th>power of tests</th>
<th>volume of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
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REFERENCES


